



EMBASSY
OF THE PRINCIPALITY OF LIECHTENSTEIN

BOTSCHAFT
DES FÜRSTENTUMS LIECHTENSTEIN

EXHIBIT

DATE

3/18/13

#

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The Honorable Mike Miller
Chairman
Montana House Committee on Taxation
20906 MT HIGHWAY 141
HELMVILLE, MT 59843-9025

Washington, March 15, 2013

Dear Representative Miller,

I am writing to you to dispute a statement made by Gene Walborn, Administrator, Business and Income Division of the Montana Department of Revenue, at a hearing on Monday, March 11, 2013 before the Montana House Taxation Committee addressing HB 578.

In explaining the process to which the Organization for Economic Cooperation and Development (OECD) adds or removes a country from its gray list and places it on its white list of "Jurisdictions that have substantially implemented the internationally agreed tax standard," Mr. Walborn stated that "one of the countries we are talking about is Liechtenstein. They are in the process now of going through and getting officially approved. They have agreed to tax exchange of information. They have to do that with every country, they haven't gotten that done yet." The statement in question can be viewed on the Montana Legislature's video archive beginning at one hour and eight minutes into the hearing.

As I explained in my letter to you and members of the Montana House Taxation Committee dated March 6, 2013, as of November 11 2009 the OECD recognized Liechtenstein as a jurisdiction which has implemented international cooperation standards regarding cases of taxation, removing it from its gray list of jurisdictions. For your records I have enclosed the OECD's most recent progress report of December 2012, which again shows Liechtenstein (along with the United States) as part of the OECD's white list in implementing the internationally agreed tax standard.

The Principality of Liechtenstein understands the concerns of Montana in fair and proper tax collection. However, in trying to resolve such an important issue, the lists of "tax havens" currently contained in Montana Code - Section 15-31-322(1)(f), as well as the jurisdictions proposed in SB 309, inadvertently shame Liechtenstein while offering no definitive methodology or criteria in their creation or maintenance. They ignore the current state of affairs and the facts, while tarnishing Liechtenstein's image, calling into question its cooperation and partnership with the United States in combating financial crimes and its commitment to international transparency.

Sincerely,

A handwritten signature in dark ink, appearing to read "Claudia Fritsche", written over a large, stylized circular flourish.

Claudia Fritsche
Ambassador

cc: Members, Montana House Committee on Taxation

Enclosures

OECD PROGRESS REPORT

A PROGRESS REPORT ON THE JURISDICTIONS SURVEYED BY THE OECD GLOBAL FORUM IN IMPLEMENTING THE INTERNATIONALLY AGREED TAX STANDARD¹

Progress made as at 5 December, 2012 (Original Progress Report 2nd April 2009)

Jurisdictions that have substantially implemented the internationally agreed tax standard			
Andorra	Curacao	Japan	St Kitts and Nevis
Anguilla	Cyprus	Jersey	St Lucia
Antigua and Barbuda	Czech Republic	Korea	St Vincent and the Grenadines
Argentina	Denmark	Liberia	Samoa
Aruba	Dominica	Liechtenstein	San Marino
Australia	Estonia	Luxembourg	Seychelles
Austria	Finland	Macau, China	Singapore
The Bahamas	France	Malaysia	Sint Maarten
Bahrain	Germany	Malta	Slovak Republic
Barbados	Gibraltar	Marshall Islands	Slovenia
Belgium	Greece	Mauritius	South Africa
Belize	Grenada	Mexico	Spain
Bermuda	Guatemala	Monaco	Sweden
Brazil	Guernsey	Montserrat	Switzerland
British Virgin Islands	Hong Kong, China	Netherlands	Turkey
Brunei	Hungary	New Zealand	Turks and Caicos Islands
Canada	Iceland	Norway	United Arab Emirates
Cayman Islands	India	Panama	United Kingdom
Chile	Indonesia	Philippines	United States
China	Ireland	Poland	Uruguay
Cook Islands	Isle of Man	Portugal	US Virgin Islands
Costa Rica	Israel	Qatar	Vanuatu
	Italy	Russian Federation	

Jurisdictions that have committed to the internationally agreed tax standard, but have not yet substantially implemented					
Jurisdiction	Year of Commitment	Number of Agreements	Jurisdiction	Year of Commitment	Number of Agreements
Tax Havens²					
Nauru	2003	(0)	Niue	2002	(0)
Other Financial Centres					

Jurisdictions that have not committed to the internationally agreed tax standard			
Jurisdiction	Number of Agreements	Jurisdiction	Number of Agreements
All jurisdictions surveyed by the Global Forum have now committed to the internationally agreed tax standard			

* Readers are referred to the outcomes from the Global Forum peer reviews for an in-depth assessment of a jurisdiction's (a) legal and regulatory framework (Phase 1 reviews) and (b) implementation of the standard in practice (Phase 2 reviews). [<http://www.oecd.org/tax/transparency>]

¹ The internationally agreed tax standard, which was developed by the OECD in co-operation with non-OECD countries and which was endorsed by G20 Finance Ministers at their Berlin Meeting in 2004 and by the UN Committee of Experts on International Cooperation in Tax Matters at its October 2008 Meeting, requires exchange of information on request in all tax matters for the administration and enforcement of domestic tax law without regard to a domestic tax interest requirement or bank secrecy for tax purposes. It also provides for extensive safeguards to protect the confidentiality of the information exchanged.

² These jurisdictions were identified in 2000 as meeting the tax haven criteria as described in the 1998 OECD report.



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The Honorable Mike Miller
Chairman
Montana House Committee on Taxation
20906 MT HIGHWAY 141
HELMVILLE, MT 59843-9025

Washington, March 6, 2013

Dear Representative Miller,

On behalf of the Government of the Principality of Liechtenstein, I am writing to express my support of HB 578 which seeks to eliminate "the listing of countries that are considered a tax haven for corporation license tax purposes and the water's-edge election" coming before your committee. We believe that HB 578 would bring the State of Montana on par with policies recognized by the US federal government.

As you know, Montana is the only state within the United States that maintains a list of "tax havens" as contained in Montana Code - Section 15-31-322(1)(f). Liechtenstein shares the State of Montana's same interests and concerns in proper and fair tax collection. However, we feel that this law, along with the proposed amendments to Montana Code - Section 15-31-322 contained in the Montana State Senate's SB 309, are an affront to and would undermine Liechtenstein's positive and constructive partnership with the US federal government.

In naming Liechtenstein as a "tax haven" and "nonexempt country" respectively, Montana Code - Section 15-31-322 and draft bill SB 309 unfairly place Liechtenstein in a category that no longer reflects its current laws and policies with the US pertaining to tax information sharing or how Liechtenstein is officially recognized by the US and internationally.

Over more than a decade the Principality of Liechtenstein has built and maintained an engaged partnership with the United States in the fight against financial crimes. In 2002 Liechtenstein signed a Mutual Legal Assistance Treaty (MLAT) with the United States. Pursuant to that agreement, the two countries have worked together on a variety of issues including corruption, financial crime

cases and the forfeiture of substantial assets. Liechtenstein remains committed to responding comprehensively to any US request for legal assistance.

In addition, in 2008 Liechtenstein and the United States signed a Tax Information Exchange Agreement (TIEA), based on the US Treasury Department's model TIEA text. The Agreement called for necessary amendments to Liechtenstein law, which were adopted by the Liechtenstein Parliament in 2009. Now fully in place, the TIEA allows for Liechtenstein and the United States to work closely together on a full range of tax issues, including tax fraud and tax evasion. The TIEA provides for information exchange upon request and direct cooperation between the two countries' tax and judicial authorities.

Through these legal mechanisms Liechtenstein continues to partner with US federal agencies such as the Department of Treasury, Internal Revenue Service, and the Department of Justice in investigating and bringing financial criminals to justice. In addition, Liechtenstein regularly engages with the US Congress, working with pertinent committees of the House of Representatives and the Senate, in order to educate members and their senior staff on Liechtenstein-US cooperation and specific cases of financial crime.

Liechtenstein is also currently underway in negotiating an intergovernmental agreement with the United States which will oversee the implementation and enforcement of the Foreign Account Tax Compliance Act (FATCA).

In considering Liechtenstein's engaged partnership with the US in fighting financial crimes, the inclusion of Liechtenstein as a "tax haven" or "nonexempt country" in Montana State law will likely have negative effects on Liechtenstein's image, perpetuating misinformation and putting into question its commitment in maintaining a high level of transparency with the US on the issue of tax information exchange, something Liechtenstein has taken robust action on in implementing not only international standards of transparency but also by concluding nearly 30 bilateral agreements, like those with the US, specifically addressing the sharing of tax information. On March 12, 2009 Liechtenstein issued an historic Declaration committing the country to global standards of transparency and exchange of information as developed by the Organization for Economic Cooperation and Development (OECD) of which the United States is a member. On November 11, 2009 the OECD recognized Liechtenstein as a jurisdiction which has fully implemented international cooperation standards by removing it from the OECD's list of non-cooperating states in tax matters. Since then Liechtenstein continues to be recognized by the OECD as a jurisdiction having implemented the internationally agreed tax standard.

The United States government does not formally recognize nor maintain lists of jurisdictions such as those proposed by SB 309 or the list of "tax havens" presently contained in Montana Code - Section 15-31-322(1)(f). As noted above, the only official body maintaining a list of jurisdictions as related to international cooperation in tax matters is the OECD, which currently lists Liechtenstein as compliant. In recognition of this, Montana is the only state within the US that

possesses such a law listing specific jurisdictions. I would like to emphasize once again, the lists of jurisdictions contained in SB 309 and Montana Code - Section 15-31-322 are not recognized by any US state, US federal institution or multilateral organization.

As to Liechtenstein's relationship with the State of Montana, though Liechtenstein does not have a significant economic presence in your state, SB 309 and the current law Montana Code - Section 15-31-322 will likely discourage or become an impediment to future investment opportunities.

As Liechtenstein and the United States continue to work together to fight important issues such as terrorist financing, money laundering and tax evasion, we are very encouraged by and highly support HB 578 as it would bring the State of Montana in line with Liechtenstein's officially-recognized status by the US government so as to foster a more effective and compatible partnership.

I kindly request that this letter be placed on the record.

Sincerely,

A handwritten signature in black ink, appearing to read 'Claudia Fritsche', written over a circular stamp or seal.

Claudia Fritsche
Ambassador

cc: Members, Montana House Committee on Taxation